

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Rule 17a-1
OMB Number 3235-0208

A. Justification

1. Information Collection Necessity

The Securities Exchange Act of 1934, as amended (“Act”),¹ provides a framework for self-regulation under which various entities involved in the securities business, including national securities exchanges, national securities associations, registered clearing agencies, and the Municipal Securities Rulemaking Board, have primary responsibility for regulating their members or participants. The role of the Securities and Exchange Commission (“Commission”) in this framework is primarily one of oversight; the Act charges the Commission with the responsibility for assuring that each of these self-regulatory organizations complies with and advances the policies of the Act.

Rule 17a-1 under the Act² requires that every national securities exchange, national securities association, registered clearing agency, and the Municipal Securities Rulemaking Board (collectively, “SROs”) keep on file for a period of not less than five years, the first two years in an easily accessible place, at least one copy of all documents that they make or receive respecting their self-regulatory activities, and that all such documents be made available for examination by the Commission and its representatives. Rule 17a-1 is important to the Commission’s oversight responsibility with respect to SROs, in that it enables the Commission to review documents required to be kept by the SROs during reasonable periodic, special, or other examinations. Rule 17a-1 also permits the Commission’s staff to temporarily remove such documents for reproduction. The Commission adopted Rule 17a-1 on May 17, 1974, pursuant to Sections 17(a) of the Act³ and 23(a) of the Act,⁴ and was most recently amended on November 21, 1980.⁵

2. Information Collection Purpose and Use

The Commission uses the information provided pursuant to Rule 17a-1 in its SRO oversight program. The information provided pursuant to Rule 17a-1 allows the Commission to examine records kept by SROs, and to determine whether an SRO is operating in compliance with the Act and is carrying out its statutory oversight obligations under the Act. It would be extremely difficult for the Commission’s staff to oversee SROs if the records were not maintained. In addition, the

¹ 15 U.S.C. 78a et seq.

² 17 CFR 240.17a-1.

³ 15 U.S.C. 78q(a).

⁴ 15 U.S.C. 78(w)(a).

⁵ See Securities Exchange Act Release No. 17321 (November 21, 1980), 45 FR 79426 (December 1, 1980).

Commission uses the information collected under Rule 17a-1 to monitor the accuracy of the determinations made pursuant to Rule 3a55-1 under the Act⁶ by national securities exchanges, including national securities exchanges that are notice-registered pursuant to Section 6(g) of the Act,⁷ as to whether a security index is narrow-based.

3. Consideration Given to Information Technology

Rule 17a-1 is a recordkeeping rule. Records may be kept electronically, provided they remain accurate and accessible to Commission representatives.

4. Duplication

Not applicable. There is no duplication.

5. Effect on Small Entities

Not applicable. The SROs that are required to make and preserve the records to be available for examination under Rule 17a-1 are not small businesses.

6. Consequences of Not Conducting Collection

The information required to be collected under Rule 17a-1 increases the ability of the Commission to ensure that each SRO is operating in compliance with the Act and is carrying out its statutory oversight obligations under the Act. If the information is not collected or is collected less frequently, the Commission would be limited in its ability to comply with its statutory obligations, provide for the protection of investors, and promote the maintenance of fair and orderly markets.

7. Inconsistencies with Guidelines in 5 CFR 1320.5(d)(2)

There are no special circumstances. This collection is consistent with the guidelines in 5 CFR 1320.5(d)(2).

8. Consultations Outside the Agency

The required Federal Register notice with a 60-day comment period soliciting comments on this collection of information was published. No public comments were received.

9. Payment or Gift

Not applicable. No payments or gifts are required to be made or are made to respondents.

10. Confidentiality

⁶ 15 U.S.C. 3a55-1.

⁷ 15 U.S.C. 78f(g).

The Freedom of Information Act (“FOIA”), 5 U.S.C. 552, generally provides for the disclosure of information to the public. Rule 83 of the Commission’s Rule of Information and Request, 17 C.F.R. 200.83, provides a procedure by which a person can make a written request that information submitted to the Commission not be disclosed under FOIA.

11. Sensitive Questions

The information collection is a recordkeeping requirement where these records may contain a broad range of personally identifiable information (“PII”) that should be made available upon inspection. The records are manually submitted through Accellion or Secure email and stored in an electronic system. The primary retrieval methods are company name or individual name. The agency has determined that the information collection constitutes a system of record for purposes of the Privacy Act and is covered under System of Records Notice (“SORN”) SEC-55. The SEC-55 SORN, published on November 24, 2014, is provided as a supplemental document and is also available at <https://www.sec.gov/privacy>. In accordance with Section 208 of the E-Government Act of 2002, the agency has conducted a Privacy Impact Assessment (“PIA”) of the TRENDS system, in connection with this collection of information. The TRENDS PIA, published on December 12, 2012 is provided as a supplemental document and is also available at <https://www.sec.gov/privacy>. The Commission is currently updating the TRENDS PIA to reflect the current environment.

12. Information Collection Burden

a. SROs Required to Comply with Rule 17a-1

Commission staff believes that the average number of hours currently necessary for an SRO to comply with the requirements of Rule 17a-1 is 52 hours per year. Currently, there are 34 SROs required to comply with Rule 17a-1: 23 national securities exchanges registered under Section 6(a) of the Act,⁸ 1 national securities association, 9 registered clearing agencies, and the Municipal Securities Rulemaking Board. The total number of hours required for the 34 SROs to comply with Rule 17a-1 is 1,768 annually, based on 52 hours per year and 34 SROs. The estimated internal cost of compliance associated with this burden is currently \$3,640 per year for each respondent, or a total of \$123,760 for all 34 SROs, based on \$70 per hour⁹ of respondents’ time and 52 hours a year of recordkeeping.

b. Notice-Registered National Securities Exchanges

In addition, the Commission staff anticipates that 4 national securities exchanges notice-registered pursuant to Section 6(g) of the Act will list or trade futures contracts on narrow-based security indexes and therefore will be required to preserve records of determinations made under Rule 3a55-1. The Commission staff anticipates that it will take each of these 4 notice-registered

⁸ 15 U.S.C. 78f(a).

⁹ \$70 hour figure for a Compliance Clerk is from SIFMA’s Office Salaries in the Securities Industry 2013, modified by Commission staff to account for an 1,800-hour work-year and inflation, and multiplied by 2.93 to account for bonuses, firm size, employee benefits, and overhead.

exchanges 1 hour annually to retain any documents made or received by it in determining whether an index is a narrow-based security index. The total number of hours required for the 4 notice-registered exchanges to comply with Rule 17a-1 is 4. The estimated internal cost of compliance associated with the burden for the 4 notice-registered national securities exchanges to retain determinations made under Rule 3a55-1 is \$280, based on \$70 per hour¹⁰ of the respondent's time, 1 hour per year of recordkeeping per respondent, and 4 respondents.

c. Total Burden

The total number of hours for all respondents to comply with Rule 17a-1 is 1,772 hours annually, based on 52 hours for the 34 SROs required to comply with the rule, plus an additional 4 hours for the 4 notice-registered national securities exchanges to preserve records of determinations made under Rule 3a55-1. Accordingly, the total internal cost of compliance associated with this burden for all respondents is \$124,040, based on \$123,760 per year for the 34 SROs and an additional \$280 for the 4 notice-registered exchanges.

Summary of Hourly Burdens

Entity Type	Number of Respondents	Time Per Respondent (Hours)	Total Burden Per Entity Type (Hours)
SROs	34	52	1,768
Notice-Registered National Securities Exchanges	4	1	4
Total Aggregate Burden			1,772

13. Costs to Respondents

Not applicable. It is not anticipated that respondents will have or incur any capital and start-up costs, nor any additional operational or maintenance costs, to comply with the collection of information.

14. Costs to Federal Government

Not applicable. The government does not incur any costs as a result of Rule 17a-1, a recordkeeping rule.

15. Changes in Burden

The number of registered national securities exchanges registered pursuant to Section 6(a) of the Act has increased from 19 to 23, while the number of registered clearing agencies has increased from 8 to 9.

¹⁰

Id.

These changes account for the change in the hours burden estimate from 1,512 hours to 1,772 hours.

16. Information Collection Planned for Statistical Purposes

Not applicable. The information collection is not used for statistical purposes.

17. Approval to Omit OMB Expiration Date

The Commission is not seeking approval to omit the expiration date.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

This collection complies with the requirements in 5 CFR 1320.9.

B. Collection of Information Employing Statistical Methods

This collection does not involve statistical methods.